

Governor's Economic Development and Jobs Commission  
-- Small Business Group --

## **Virginia Department of Business Assistance**

### **Overview and Scope:**

The mission of the Virginia Department of Business Assistance (VDBA) is to deliver economic development programs and services that help create new jobs, retain existing jobs, spur new investment, and encourage new business formation.

VDBA clients include:

- Existing businesses of all sizes in Virginia
- Out of state/International businesses locating in Virginia
- Entrepreneurs considering a new business start-up
- Commercial banks providing financing to Virginia businesses

VDBA is organized into three teams to accomplish the mission:

- Virginia Jobs Investment Program (VJIP)
- Virginia Small Business Finance Authority (VSBFA)
- Business Information Services (BIS)

VDBA staff includes 25 full-time general fund positions, 6 full time non-general fund positions, and 3 part-time positions. Staff are deployed in Richmond (26), Abingdon (3), Staunton (1) and Fairfax (1).

Over the past 18 months, VDBA has

- Provided customized workforce development services impacting 14,000 new jobs or retained jobs at 566 companies.
- Facilitated more \$579 million in financing for Virginia businesses.
- Provided technical assistance and business formation services to over 27,000 business owners and entrepreneurs.

**Budget:**

*The VDBA budget has declined 56% over the past 8 years (2002 -2010), including a 51% staff reduction over the past 4 years.*

- Current FY 2010 budget is \$9, 961, 604.00. Current GF adjusted base appropriation for FY 2010 (Chapter 781) - \$10,376,819.
- Current budget includes \$8 million for VJIP. \$6.5 million passes through as incentive grants to businesses.
- Current budget includes \$134,371 in operating funds for the Virginia Israeli Board. VDBA does not participate in this board's programs.
- FY 2011 VDBA General Fund budget is \$14,800,899.00.
- Estimated pass-through VJIP funding: \$11,461,287.00.
- Budget includes a new, one time appropriation of \$1,000,000 for the Virginia Small Business Financing Authority Loan Guaranty Fund.
- Budget includes new funding of \$500,000 for continued Business One Stop development in FY 2011 and an additional \$500,000 in FY 2012.
- Budget includes unspecified administrative cuts of \$100,000 in FY 2011 and \$474,513 in FY 2012, which will significantly impact staffing especially in 2012.

Each \$1 of VSBFA funding is leveraged to produce \$6 in investment.

The payback period to the state treasury for invested VJIP funds is *under one year*.

**Programs and Incentives:**

**Virginia Jobs Investment Program**

- **New Jobs Program** - The program targets expansions of existing companies or new facility locations. Incentives and services are offered to businesses that are considering another state or country for the new location or expansion, generating revenue from outside Virginia, creating new jobs, making a new capital investment, and paying a minimum entry-level wage rate of \$10.00 per hour. In areas that have unemployment of two times or more the state level, this wage minimum may be waived. Only full-time jobs are eligible for funding.
- **Small Business New Jobs Program** – This program supports existing Virginia companies which have 250 employees or less companywide. Incentives and services are offered to businesses that are creating new jobs, making a new capital investment, paying a minimum entry-level wage rate of \$10.00 per hour. In areas that have unemployment of two times or more the state level, this wage minimum may be waived. Only full-time jobs are eligible for funding.
- **Retraining Program** – The Retraining Program provides services and funding to manufacturing companies and distribution centers to assist in training their existing work force. For the purpose of this program, retraining is defined as upgrading the skills of existing employees identified as essential to the production or distribution of a product.

**Virginia Small Business Financing Authority**

- **Economic Development Loan Fund** - The Economic Development Loan Fund is designed to fill the financing gap between private debt financing and private equity. Funds are provided to create economic benefit through increased revenues and the creation of new jobs and the retention of “at risk” jobs in Virginia. **This federally funded program can only be used in localities that meet a federal definition of distress.**
- **State Direct Loan Program** – This program is designed to fill the financing gap between private debt financing and private equity. Funds are provided to create economic benefit through increased revenues and the creation of new jobs and the retention of “at risk” jobs in Virginia. This program is similar to the EDLF above, but can be used statewide.
- **Loan Guaranty Program** – The Loan Guaranty Program is designed to help Virginia's small businesses obtain the funds to start, enhance, or expand their operations and thereby creates new jobs for citizens of the Commonwealth. The VSBFA guaranty reduces the bank’s credit risk and helps the business qualify for financing that would not otherwise be available. Both new loans and restructured existing debt are eligible for guaranties.
- **Virginia Capital Access Program (VCAP)** - Provides access to capital for Virginia businesses by encouraging banks in Virginia to make loans to small businesses. Unlike government guaranty programs which provide a guaranty of a specific loan, VCAP utilizes an insurance concept on a portfolio of loans. The Program establishes a loan loss reserve at each participating bank which is funded by enrollment premiums paid by the Borrower/Bank and VSBFA. Because the participating bank determines what loans to enroll without VSBFA’s involvement, the Program is a flexible, non-bureaucratic tool to assist banks in meeting the financing needs of Virginia’s businesses.

- **Southside Virginia Tobacco Capital Access Program (TCAP)** – This program operates very much like the VCAP program above, but is funded through the Virginia Tobacco Commission and **can only be used in Southside Virginia’s tobacco localities.**
- **Child Care Financing Program** – This program is designed to assist Virginia child care providers in obtaining financing for fixed asset needs. The Virginia Small Business Financing Authority offers direct low-interest rate loans to regulated child care providers for quality enhancement projects or to meet or maintain child care standards.
- **Industrial Development Bonds** – The VSBFA serves as the Commonwealth’s statewide conduit issuer for tax-exempt industrial development bonds.
- **P.A.C.E. Program** - The P.A.C.E. Program provides access to capital for new and existing Virginia businesses by encouraging banks to make loans to minority-owned businesses. The program is administered by the Virginia Small Business Financing Authority (VSBFA) for the Department of Minority Business Enterprise (DMBE).

### Business Information Services

- **Business One Stop** – An innovative on-line tool for businesses and entrepreneurs which assists with business formation, licensing and permitting.
- **Virginia Business Information Center** – An information resource for Virginia businesses, providing technical assistance by phone or on the web with questions, problems and inquiries about business formation, where to go in state government for needed assistance.
- **Growing Your Sales Seminars** - BIS staff works with local governments, chambers of commerce, business incubators, other business groups, and state agencies to provide seminars on how a business can increase its sales to the state and federal governments. Assistance is offered on the state certification process for small, women, and minority-owned businesses and assistance with eVA registration. State and federal agencies that are buying goods and services from the private sector are on-hand.
- **Entrepreneur Express Seminars** – BIS staff works with local governments, chambers of commerce, business incubators and other business groups to provide seminars on topics important to entrepreneurs. Information and resources that can assist entrepreneurs as they begin the process of starting a business are presented.
- **One-on-One Sales Counseling Sessions** – Businesspersons needing individualized help to sharpen their sales strategy are offered one-on-one sessions in local markets throughout the state.

**Key Agency Projects:**

- Business One Stop – BIS
- Specialized Entrepreneur Express Events – BIS
- Increase utilization of Direct Loan Fund – VSBFA
- Increase bank awareness of Loan Guaranty Program – VSBFA
- Deloitte expansion, NVA, 2000 jobs - VJIP
- SAIC expansion, NVA, 1200 jobs – VJIP
- Aerial Machine & Tool, Patrick County, 200 jobs – VJIP

**Client Feedback:**

- VJIP surveys clients annually—99% satisfaction rate.
- BIS offers a survey to every workshop/seminar attendee; 95% positive ratings.
- Virginia Business Information Center routinely receives unsolicited testimonials and maintains a less than 1% complaint rate.

**Sample comments:**

*“I went to a VDBA Entrepreneur Express workshop afraid of how complicated starting a business would be. I was surprised to find down-to-earth explanations of every step. The Entrepreneur Express gave me the confidence I needed to take the plunge into starting a business.”* **Jane Gilbert, Washington County, co-founder of Anytime Plumbing LLC.**

*“Minnieland was born in 1970 out of my personal need for child care for my oldest son. Banks did not look favorably upon financing a child care business. Child care was considered a cottage industry. Over the past 15 years, our growth has been fueled by financing from VDBA’s Virginia Small Business Financing Authority (VSBFA). Now, with help from the VSBFA, we are creating 8 new centers that will produce 290 jobs and give 1250 children quality care.* **Jackie Leopold, President, Minnieland Schools**

*I started my company just last year and it has been a very exciting 9 months. With the incentives provided by VJIP we have been able to offset the hiring and training cost for over 50 professional employees in the Richmond area. 95% of our staff are technical college graduates and these positions are often difficult to fill and costly to train.* **Tonya Mallory, President & CEO, Health Diagnostic Laboratory, Inc.**

**Discussion: How to Save and Create Jobs**

**Some Suggested Topics**

- **How can we better support business expansions and apply programs to encourage them?**
- **Can we/should we “steer” financial assistance programs to projects with more job creation potential?**
- **Can we quantify the job creation that results from a business start-up?**
- **Can we do more to encourage new business formation?**